



Valley Telephone Cooperative Copper Valley Telephone Valley Connections, LLC

Digital Video - Internet - Phone - Business Systems

REDACTED- FOR PUBLIC INSPECTION

October 29, 2013

VIA OVERNIGHT DELIVERY

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, S.W.
Washington, DC 20554

RE: **Confidential Financial Information Subject to Protective Order in WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51, WT Docket No. 10-208, Before the Federal Communications Commission**

Dear Ms. Dortch:

Valley Telephone Cooperative, Inc. , a privately-held rate of return carrier receiving high cost support, has electronically submitted FCC Form 481 to the Commission with redacted financial data, in compliance with 47 C.F.R. §§ 54.313 and 54.422

As specified in the Protective Order issued on November 16, 2012 by the Commission, two copies of the redacted confidential information are being filed simultaneously with the non-redacted confidential information. The redacted information for this filing and each page of the file where confidential information has been omitted is marked "REDACTED - FOR PUBLIC INSPECTION"

Please feel free to contact me with any questions regarding this particular matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "V. Barnard", is written over the word "Sincerely,".

Virgil Barnard
Contracts and Compliance Manager

Enclosures

.cc Mr. Charles Tyler, FCC Telecommunications Access Policy Division

**FCC Form 481 - Carrier Annual Reporting
Data Collection Form**
FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010> Study Area Code	492176
<015> Study Area Name	VALLEY TEL COOP - NM
<020> Program Year	2014
<030> Contact Name: Person USAC should contact with questions about this data	Virgil Barnard
<035> Contact Telephone Number: Number of the person identified in data line <030>	520-384-8932
<039> Contact Email Address: Email of the person identified in data line <030>	virgil.barnard@vtc.net

ANNUAL REPORTING FOR ALL CARRIERS		54.313 Completion Required	54.422 Completion Required
<100> Service Quality Improvement Reporting	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<200> Outage Reporting (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<210> <input checked="" type="checkbox"/> <-- check box if no outages to report			
<300> Unfulfilled Service Requests (voice)	0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<310> Detail on Attempts (voice)	(attach descriptive document)		
<320> Unfulfilled Service Requests (broadband)	0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<330> Detail on Attempts (broadband)	(attach descriptive document)		
<400> Number of Complaints per 1,000 customers (voice)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<410> Fixed	0.0		
<420> Mobile			
<430> Number of Complaints per 1,000 customers (broadband)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<440> Fixed	0.0		
<450> Mobile			
<500> Service Quality Standards & Consumer Protection Rules Compliance	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<510> 492176nm500	(attach descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<600> Functionality in Emergency Situations	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<610> 492176nm600	(attach descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<700> Company Price Offerings (voice)	(complete attached worksheet)		
<710> Company Price Offerings (broadband)	(complete attached worksheet)		
<800> Operating Companies and Affiliates	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<900> Tribal Land Offerings (Y/N)? <input type="radio"/> <input checked="" type="radio"/>	(if yes, complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1000> Voice Services Rate Comparability	(check to indicate certification)		
<1010>	(attach descriptive document)		
<1100> Terrestrial Backhaul (Y/N)? <input checked="" type="radio"/> <input type="radio"/>	(if not, check to indicate certification)		
<1110>	(complete attached worksheet)		
<1200> Terms and Condition for Lifeline Customers	(complete attached worksheet)		<input checked="" type="checkbox"/>

Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet
Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

<2000>	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<2005>	(complete attached worksheet)		

Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet

<3000>	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<3005>	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

**(100) Service Quality Improvement Reporting
Data Collection Form**

 FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

<010>	Study Area Code	492176
<015>	Study Area Name	VALLEY TEL COOP - NH
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Virgil Barnard
<035>	Contact Telephone Number - Number of person identified in data line <030>	520-384-8932
<039>	Contact Email Address - Email Address of person identified in data line <030>	virgil.barnard@vtc.net
<110>	Has your company received its ETC certification from the FCC?	(yes / no) <input type="radio"/> <input checked="" type="radio"/>
<111>	If your answer to line <110> is yes, do you have an existing § 54.202(a) "5 year plan" filed with the FCC?	(yes / no) <input type="radio"/> <input type="radio"/>

If your answer to Line <111> is yes, then you are required to file a progress report, on line <112> delineating the status of your company's existing § 54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of voice telephony service.

- <112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which only receives frozen support, your progress report is only required to address voice telephony service.

Name of Attached Document (.pdf)

Please check these boxes below to confirm that the attached PDF, on line 112, contains a progress report on its five-year service quality improvement plan pursuant to § 54.202(a). The information shall be submitted at the wire center level or census block as appropriate.

- <113> Maps detailing progress towards meeting plan targets
- <114> Report how much universal service (USF) support was received
- <115> How (USF) was used to improve service quality
- <116> How (USF) was used to improve service coverage
- <117> How (USF) was used to improve service capacity
- <118> Provide an explanation of network improvement targets not met in the prior calendar year.

<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

<010>	Study Area Code	492176
<015>	Study Area Name	VALLEY TEL COOP - NM
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Virgil Barnard
<035>	Contact Telephone Number - Number of person identified in data line <030>	520-384-8932
<039>	Contact Email Address - Email Address of person identified in data line <030>	virgil.barnard@vtc.net

[illegible]

<010>	Study Area Code	492176
<015>	Study Area Name	VALLEY TEL COOP - NM
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Virgil Barnard
<035>	Contact Telephone Number - Number of person identified in data line <030>	520-384-8932
<039>	Contact Email Address - Email Address of person identified in data line <030>	virgil.barnard@ncvcc.net

<701>	Residential Local Service Charge Effective Date	1/1/2013
<702>	Single State-wide Residential Local Service Charge	

[illegible]

(710) Broadband Price Offerings Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	492176
<015>	Study Area Name	VALLEY TEL COOP - NH
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Virgil Barnard
<035>	Contact Telephone Number - Number of person identified in data line <030>	520-384-8932
<039>	Contact Email Address - Email Address of person identified in data line <030>	virgil.barnard@vtc.net

[illegible]

(800) Operating Companies Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	492176
<015>	Study Area Name	VALLEY TEL COOP - NM
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Virgil Barnard
<035>	Contact Telephone Number - Number of person identified in data line <030>	520-394-8932
<039>	Contact Email Address - Email Address of person identified in data line <030>	virgil.barnard@vtc.net
<B10>	Reporting Carrier	Valley Telephone Cooperative, Inc.
<B11>	Holding Company	NA
<B12>	Operating Company	NA

[illegible]

**(900) Tribal Lands Reporting
Data Collection Form**FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	492176
<015>	Study Area Name	VALLEY TEL COOP - DM
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Virgil Barnard
<035>	Contact Telephone Number - Number of person identified in data line <030>	520-384-8932
<039>	Contact Email Address - Email Address of person identified in data line <030>	virgil.barnard@vtc.net

<910> Tribal Land(s) on which ETC Serves

<920> Tribal Government Engagement Obligation

Name of Attached Document (.pdf)

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions;
- <922> Feasibility and sustainability planning;
- <923> Marketing services in a culturally sensitive manner;
- <924> Compliance with Rights of way processes
- <925> Compliance with Land Use permitting requirements
- <926> Compliance with Facilities Siting rules
- <927> Compliance with Environmental Review processes
- <928> Compliance with Cultural Preservation review processes
- <929> Compliance with Tribal Business and Licensing requirements.

Select (Yes, No, NA)

**(1100) No Terrestrial Backhaul Reporting
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	492176
<015>	Study Area Name	VALLEY TEL COOP - IM
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Virgil Barnard
<035>	Contact Telephone Number - Number of person identified in data line <030>	520-384-8932
<039>	Contact Email Address - Email Address of person identified in data line <030>	virgil.barnard@vtc.net

Please check this box to confirm no terrestrial backhaul
<1120> options exist within the supported area pursuant to § 54.313(G) ☐

Please check this box to confirm the reporting carrier offers
<1130> broadband service of at least 1 Mbps downstream and 256 kbps
upstream within the supported area pursuant to § 54.313(G) ☐

(1200) Terms and Condition for Lifeline Customers
Lifeline
Data Collection Form

FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

<010>	Study Area Code	492176
<015>	Study Area Name	VALLEY TEL COOP - NM
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Virgil Barnard
<035>	Contact Telephone Number - Number of person identified in data line <030>	520-384-8932
<039>	Contact Email Address - Email Address of person identified in data line <030>	virgil.barnard@vtcc.net

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

492176nm1210

Name of attached document (.pdf)

<1220> Link to Public Website

HTTP

"Please check these boxes below to confirm that the attached PDF, on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

- <1221> Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, ☐
- <1222> Details on the number of minutes provided as part of the plan, ☐
- <1223> Additional charges for toll calls, and rates for each such plan. ☐

(2000) Price Cap Carrier Additional Documentation Data Collection Form <i>Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers</i>	FCC Form 481 OMB Control No. 3060-0086/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	492176
<015>	Study Area Name	VALLEY TEL COOP - NH
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Virgil Barnard
<035>	Contact Telephone Number - Number of person identified in data line <030>	520-384-8932
<039>	Contact Email Address - Email Address of person identified in data line <030>	virgil.barnard@vtc.net

CHECK the boxes below to note compliance as a recipient of Incremental Connect America Phase I support, frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e) the information reported on this form and in the documents attached below is accurate.

Incremental Connect America Phase I reporting		
<2010>	2nd Year Certification (47 CFR § 54.313(b)(1))	<input type="checkbox"/>
<2011>	3rd Year Certification (47 CFR § 54.313(b)(2))	<input type="checkbox"/>
Price Cap Carrier Receiving Frozen Support Certification (47 CFR § 54.312(a))		
<2012>	2013 Frozen Support Certification	<input type="checkbox"/>
<2013>	2014 Frozen Support Certification	<input type="checkbox"/>
<2014>	2015 Frozen Support Certification	<input type="checkbox"/>
<2015>	2016 and future Frozen Support Certification	<input type="checkbox"/>
Price Cap Carrier Connect America ICC Support (47 CFR § 54.313(d))		
<2016>	Certification Support Used to Build Broadband	<input type="checkbox"/>
Connect America Phase II Reporting (47 CFR § 54.313(e))		
<2017>	3rd year Broadband Service Certification	<input type="checkbox"/>
<2018>	5th year Broadband Service Certification	<input type="checkbox"/>
<2019>	Interim Progress Certification	<input type="checkbox"/>
<2020>	Please check the box to confirm that the attached PDF, on line 2021, contains the required information pursuant to § 54.313 (e)(3)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.	<input type="checkbox"/>
<2021>	Interim Progress Community Anchor Institutions	

Name of Attached Document Listing Required Information _____

(3000) Rate Of Return Carrier Additional Documentation	FCC Form 491
Data Collection Form	OMB Control No. 3060-0786/OMB Control No. 3060-0819
	July 2013

<010> Study Area Code	492176
<015> Study Area Name	VALLEY TEL COOP - NM
<020> Program Year	2014
<030> Contact Name - Person USAC should contact regarding this data	Virgil Barnard
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<039> Contact Email Address - Email Address of person identified in data line <030>	virgil.barnard@vtc.net

CHECK the boxes below to note compliance on its five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

Progress Report on 5 Year Plan

(3010) Milestone Certification (47 CFR § 54.313(f)(1)(i)) Please check this box to confirm that the attached PDF, on line 3012, contains the required information pursuant to § 54.313(f)(1)(i), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.	Name of Attached Document Listing Required Information	<input type="checkbox"/>
(3012) Community Anchor Institutions (47 CFR § 54.313(f)(1)(ii))	Name of Attached Document Listing Required Information	<input checked="" type="checkbox"/> (Yes/No)
(3013) Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2))		<input checked="" type="checkbox"/> (Yes/No)
(3014) If yes, does your company file the RUS annual report Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:		<input checked="" type="checkbox"/>
(3015) Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)		<input checked="" type="checkbox"/>
(3016) PDF of Balance Sheet, Income Statement and Statement of Cash Flows		<input checked="" type="checkbox"/>
(3017) If the response is yes on line 3014, attach your company's RUS annual report and all required documentation	Name of Attached Document Listing Required Information	492176nm3017
(3018) If the response is no on line 3014, is your company audited? If the response is yes on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:		<input type="checkbox"/> (Yes/No)
(3019) Either a copy of their audited financial statements; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications		<input type="checkbox"/>
(3020) PDF of Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3021) Management letter issued by the independent certified public accountant that performed the company's financial audit.		<input type="checkbox"/>
If the response is no on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:		<input type="checkbox"/>
(3022) Copy of their financial statement which has been subject to review by an independent certified public accountant; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers.		<input type="checkbox"/>
(3023) Underlying Information subjected to a review by an independent certified public accountant		<input type="checkbox"/>
(3024) Underlying Information subjected to an officer certification.		<input type="checkbox"/>
(3025) PDF of Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3026) Attach the worksheet listing required information	Name of Attached Document Listing Required Information	

Certification - Reporting Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<039>	Contact Email Address - Email Address of person identified in data line <030>	virgil.barnard@vtc.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier:	VALLEY TEL COOP - NM
Signature of Authorized Officer:	CERTIFIED ONLINE
	Date 10/10/2013
Printed name of Authorized Officer:	Steven Metts
Title or position of Authorized Officer:	CEO
Telephone number of Authorized Officer:	520 385 2231
Study Area Code of Reporting Carrier:	492176
Filing Due Date for this form:	10/15/2013
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Certification - Agent / Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	492176
<015> Study Area Name	VALLEY TEL COOP - NM
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<030> Contact Name - Person USAC should contact regarding this data	Virgil Barnard
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<039> Contact Email Address - Email Address of person identified in data line <030>	virgil.barnard@vtc.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) _____ is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent: _____	
Name of Reporting Carrier: VALLEY TEL COOP - NM	
Signature of Authorized Officer: CERTIFIED ONLINE	Date: _____
Printed name of Authorized Officer: _____	
Title or position of Authorized Officer: _____	
Telephone number of Authorized Officer: _____	
Study Area Code of Reporting Carrier: 492176	Filing Due Date for this form: 10/15/2013
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier: VALLEY TEL COOP - NM	
Name of Authorized Agent or Employee of Agent: _____	
Signature of Authorized Agent or Employee of Agent: CERTIFIED ONLINE	Date: _____
Printed name of Authorized Agent or Employee of Agent: _____	
Title or position of Authorized Agent or Employee of Agent: _____	
Telephone number of Authorized Agent or Employee of Agent: _____	
Study Area Code of Reporting Carrier: 492176	Filing Due Date for this form: 10/15/2013
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Attachments

<010>	Study Area Code	492176
<015>	Study Area Name	VALLEY TEL COOP - NM
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Virgil Barnard
<035>	Contact Telephone Number - Number of person identified in data line <030>	520-384-8932
<039>	Contact Email Address - Email Address of person identified in data line <030>	virgil.barnard@vtc.net
<810>	Reporting Carrier	Valley Telephone Cooperative, Inc.
<811>	Holding Company	NA
<812>	Operating Company	NA

[illegible]

Description of Efforts in Compliance With Service Quality Standards and Consumer Protection

Valley Telephone Cooperative, Inc. and Copper Valley Telephone, Inc.

SAC 452176 & 492176

Valley Telephone Cooperative, Inc. and Copper Valley Telephone, Inc. (the Companies) are wireline rural local exchange carriers serving as ETCs in southeast Arizona and southwest New Mexico. The companies comply with all state and federal service quality and consumer protection standards.

The Companies continually strive to maintain the highest customer satisfaction by consistently going beyond the minimum standards of service quality and consumer protection. The Companies regularly train all customer contact personnel in CPNI and Red Flag rules in order to maintain strict compliance. This training is designed to enforce compliance with relevant state standards for consumer protection and quality of service.

Certification of Functionality in Emergency Situations for

Valley Telephone Cooperative, Inc. and Copper Valley Telephone, Inc.

SAC 452176 & 492176

Valley Telephone Cooperative, Inc. and Copper Valley Telephone, Inc. (the Companies) are wireline rural local exchange carriers serving as ETCs in southeast Arizona and southwest New Mexico.

In order to assure reasonable back-up power to protect functionality in the event of failure of the external power grid the Companies have equipped all central offices with a minimum of eight hours of battery backup plus stationary generators with on-site fuel supplies that are capable of a minimum of one week run time. All remote carrier facilities are equipped battery backup that is designed to last at least eight hours. The Companies maintain an additional generator on wheels that can be deployed in the event of a need. All batteries are routinely maintained and replaced as needed. All generators are regularly tested and serviced to assure readiness.

The network employed by the Companies has electronic redundancy in all layer 3 network segments and most layer 2 network segments. The Companies have the ability to route traffic remotely in outage or emergency situations in layer 3 and most layer 2 networks.

The Companies have the capability to prioritize traffic in emergency situations.

[illegible]

Description of Lifeline Terms and Conditions for

Valley Telephone Cooperative, Inc. and Copper Valley Telephone, Inc.

SAC 452176 & 492176

Valley Telephone Cooperative, Inc. and Copper Valley Telephone, Inc. (the Companies) are wireline rural local exchange carriers serving as ETCs in southeast Arizona and southwest New Mexico. The lifeline service offered has unlimited local calling and equal access to the long distance provider of the customer's choice. The residential rate for local service for both companies in both states is \$14.00 before consideration of the applicable state and federal lifeline discounts.

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS		This data will be used by RUS to verify your financial statement. Your response is required by 7 U.S.C. 901 et seq. and, subject to Federal law and regulations regarding confidential information, will be treated as confidential. BORROWER NAME Valley Telephone Cooperative, Inc. (Prepared with Audited Data)	
INSTRUCTIONS: Submit report to RUS within 30 days after close of the period. For detailed instructions, see RUS Bulletin 1744-2. Report in whole dollars only.		PERIOD ENDING December, 2012	BORROWER DESIGNATION NZ0507
CERTIFICATION We hereby certify that the entries in this report are, in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief. ALL INSURANCE REQUIRED BY 7 CFR PART 1788, CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES. DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1788 OF 7 CFR CHAPTER XVII (Check one of the following)			
<input checked="" type="checkbox"/> All of the obligations under the RUS loan documents have been fulfilled in all material respects.		<input type="checkbox"/> There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in the Telecom Operating Report	
Steven Metts		3/21/2013	
DATE			
PART A. BALANCE SHEET			
ASSETS	BALANCE PRIOR YEAR	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY
			BALANCE PRIOR YEAR
			BALANCE END OF PERIOD
CURRENT ASSETS			CURRENT LIABILITIES
1. Cash and Equivalents			25. Accounts Payable
2. Cash-RUS Construction Fund			26. Notes Payable
3. Affiliates:			27. Advance Billings and Payments
a. Telecom, Accounts Receivable			28. Customer Deposits
b. Other Accounts Receivable			29. Current Mat. L/T Debt
c. Notes Receivable			30. Current Mat. L/T Debt-Rur. Dev.
4. Non-Affiliates:			31. Current Mat. Capital Leases
a. Telecom, Accounts Receivable			32. Income Taxes Accrued
b. Other Accounts Receivable			33. Other Taxes Accrued
c. Notes Receivable			34. Other Current Liabilities
5. Interest and Dividends Receivable			35. Total Current Liabilities (25 thru 34)
6. Material-Regulated			LONG-TERM DEBT
7. Material-Nonregulated			36. Funded Debt-RUS Notes
8. Prepayments			37. Funded Debt-RTS Notes
9. Other Current Assets			38. Funded Debt-PFB Notes
10. Total Current Assets (1 Thru 9)			39. Funded Debt-Other
NONCURRENT ASSETS			40. Funded Debt-Rural Develop. Loan
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt
a. Rural Development			42. Recaptured Debt
b. Nonrural Development			43. Obligations Under Capital Leases
12. Other Investments			44. Adv. From Affiliated Companies
a. Rural Development			45. Other Long-Term Debt
b. Nonrural Development			46. Total Long-Term Debt (36 thru 45)
13. Nonregulated Investments			OTHER LIAB. & DEF. CREDITS
14. Other Noncurrent Assets			47. Other Long-Term Liabilities
15. Deferred Charges			48. Other Deferred Credits
16. Jurisdictional Differences			49. Other Jurisdictional Differences
17. Total Noncurrent Assets (11 thru 16)			50. Total Other Liabilities and Deferred Credits (47 thru 49)
PLANT, PROPERTY, AND EQUIPMENT			EQUITY
18. Telecom, Plant-In-Service			51. Cap. Stock Outstanding, & Subscribed
19. Property Held for Future Use			52. Additional Paid-In Capital
20. Plant Under Construction			53. Treasury Stock
21. Plant Adj., Nonop. Plant & Goodwill			54. Membership and Cap. Certificates
22. Less Accumulated Depreciation			55. Other Capital
23. Net Plant (18 thru 21 less 22)			56. Patronage Capital Credits
24. TOTAL ASSETS (10+17+23)			57. Retained Earnings or Margins
			58. Total Equity (51 thru 57)
			59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)

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REDACTED- FOR PUBLIC INSPECTION

USDA-RUS		BORROWER DESIGNATION	
OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS		AZ0507	
		PERIOD ENDING	
INSTRUCTIONS- See RUS Bulletin 1744-2		December, 2012	
PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS			
ITEM	PRIOR YEAR	THIS YEAR	
1. Local Network Services Revenues			
2. Network Access Services Revenues			
3. Long Distance Network Services Revenues			
4. Carrier Billing and Collection Revenues			
5. Miscellaneous Revenues			
6. Uncollectible Revenues			
7. Net Operating Revenues (1 thru 6 less 6)			
8. Plant Specific Operations Expense			
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)			
10. Depreciation Expense			
11. Amortization Expense			
12. Customer Operations Expense			
13. Corporate Operations Expense			
14. Total Operating Expenses (8 thru 13)			
15. Operating Income or Margins (7 less 14)			
16. Other Operating Income and Expenses			
17. State and Local Taxes			
18. Federal Income Taxes			
19. Other Taxes			
20. Total Operating Taxes (17+18+19)			
21. Net Operating Income or Margins (15+16-20)			
22. Interest on Funded Debt			
23. Interest Expense - Capital Leases			
24. Other Interest Expense			
25. Allowance for Funds Used During Construction			
26. Total Fixed Charges (22+23+24-25)			
27. Nonoperating Net Income			
28. Extraordinary Items			
29. Jurisdictional Differences			
30. Nonregulated Net Income			
31. Total Net Income or Margins (21+27+28+29+30-26)			
32. Total Taxes Based on Income			
33. Retained Earnings or Margins Beginning-of-Year			
34. Miscellaneous Credits Year-to-Date			
35. Dividends Declared (Common)			
36. Dividends Declared (Preferred)			
37. Other Debits Year-to-Date			
38. Transfers to Patronage Capital			
39. Retained Earnings or Margins End-of-Period [(31+33+34) - (36+36+37+38)]			
40. Patronage Capital Beginning-of-Year			
41. Transfers to Patronage Capital			
42. Patronage Capital Credits Retired			
43. Patronage Capital End-of-Year (40+41-42)			
44. Annual Debt Service Payments			
45. Cash Ratio [(14+20-10-11) / 7]			
46. Operating Accrual Ratio [(14+20+20) / 7]			
47. TIER [(31+26) / 26]			
48. DSCR [(31+26+10+11) / 44]			

USDA-RUS		BORROWER DESIGNATION	
OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS		AZ0507	
INSTRUCTIONS -- See help in the online application.		PERIOD ENDED December, 2012	
PART I -- STATEMENT OF CASH FLOWS			
1. Beginning Cash (Cash and Equivalents plus RUS Construction Fund)			
CASH FLOWS FROM OPERATING ACTIVITIES			
2. Net Income			
<i>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</i>			
3. Add: Depreciation			
4. Add: Amortization			
5. Other (Explain)			
<i>Changes in Operating Assets and Liabilities</i>			
6. Decrease/(Increase) in Accounts Receivable			
7. Decrease/(Increase) in Materials and Inventory			
8. Decrease/(Increase) in Prepayments and Deferred Charges			
9. Decrease/(Increase) in Other Current Assets			
10. Increase/(Decrease) in Accounts Payable			
11. Increase/(Decrease) in Advance Billings & Payments			
12. Increase/(Decrease) in Other Current Liabilities			
13. Net Cash Provided/(Used) by Operations			
CASH FLOWS FROM FINANCING ACTIVITIES			
14. Decrease/(Increase) in Notes Receivable			
15. Increase/(Decrease) in Notes Payable			
16. Increase/(Decrease) in Customer Deposits			
17. Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)			
18. Increase/(Decrease) in Other Liabilities & Deferred Credits			
19. Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital			
20. Less: Payment of Dividends			
21. Less: Patronage Capital Credits Retired			
22. Other (Explain) minor A/R Adjustments			
23. Net Cash Provided/(Used) by Financing Activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
24. Net Capital Expenditures (Property, Plant & Equipment)			
25. Other Long-Term Investments			
26. Other Noncurrent Assets & Jurisdictional Differences			
27. Other (Explain) Additional Adjustments to Plant			
28. Net Cash Provided/(Used) by Investing Activities			
29. Net Increase/(Decrease) in Cash			
30. Ending Cash			

Revision Date 2010

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

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**LETTER TO BOARD OF DIRECTORS REGARDING RUS, 7 CFR, PART 1773,
RUS POLICIES CONCERNING AUDITS OF RUS BORROWERS**

Board of Directors
Valley Telephone Cooperative, Inc.
Willcox, Arizona

We have audited the financial statements of Valley Telephone Cooperative, Inc. for the year ended December 31, 2012, and have issued our report thereon dated March 12, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and 7 CFR Part 1773, Policy on Audits of Rural Utilities Service (RUS) Borrowers. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Management of the Cooperative and Subsidiary is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements of Valley Telephone Cooperative, Inc. for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered their internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of their internal control. Accordingly, we do not express an opinion on the effectiveness of their internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. A material weakness is a significant deficiency, or combination of deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses.

7 CFR Part 1773.33 requires comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters. We have grouped our comments accordingly. In addition to obtaining reasonable assurance about whether the financial statements are free from material misstatements, at your request, we performed tests of specific aspects of the internal control over financial reporting, of compliance with specific RUS loan and security instrument provisions, and of additional matters. The specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and additional matters tested include, among other things, the accounting procedures and records, materials control, compliance with specific RUS loan and security instrument provisions set forth in 7 CFR Part 1773.33 (e)(2), and related party transactions and investments. In addition, our audit of the financial statements also included the procedures specified in 7 CFR Part 1773.38-45. Our objective was not to provide an opinion on these specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, or additional matters, and accordingly, we express no opinion thereon.

No reports (other than our Independent Auditors' Report and our Independent Auditors' Report on compliance and on internal control over financial reporting, all dated March 12, 2013) or summary of recommendations related to our audit have been furnished to management.

Our comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters as required by 7 CFR Part 1773.33 are presented below.

COMMENTS ON CERTAIN SPECIFIC ASPECTS OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING

We noted no matters regarding Valley Telephone Cooperative, Inc.'s internal control over financial reporting and its operation that we consider to be a material weakness as previously defined with respect to:

- The accounting procedures and records; and,
- The process for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts; and,
- The materials control.

COMMENTS ON COMPLIANCE WITH SPECIFIC RUS LOAN AND SECURITY INSTRUMENT PROVISIONS

At your request, we have performed the procedures enumerated below with respect to compliance with certain provisions of laws, regulations, contracts, and grants. The procedures we performed are summarized as follows:

- Procedures performed with respect to the requirement for a borrower to obtain written approval of the mortgagee to enter into any contract, agreement or lease between the borrower and an affiliate for the year ended December 31, 2012, of Valley Telephone Cooperative, Inc.:
 - Obtained and read a borrower-prepared schedule of new written contracts, agreements or leases entered into during the year between the borrower and an affiliate as defined in §1773.33(e)(2)(i).
 - Reviewed Board of Director minutes to ascertain whether board-approved written contracts are included in the borrower-prepared schedule.
 - Noted the existence of written RUS and RTB approval of each contract listed by the borrower.
- Procedure performed with respect to the requirement to submit RUS Form 479 to the RUS:
 - Agreed amounts reported in Form 479 to Valley Telephone Cooperative, Inc.'s records.

The results of our tests indicate that, with respect to the items tested, Valley Telephone Cooperative, Inc. complied, in all material respects, with the specific RUS loan and security instrument provisions referred to below. The specific provisions tested, as well as any exceptions noted, include the requirements that:

- The borrower has obtained written approval of the RUS and RTB to enter into any contract, agreement or lease with an affiliate as defined in §1773.33(e)(2)(i); and,
- The borrower will allow us to review Form 479, Financial and Statistical Report, as of December 31, 2012, prior to its submission to RUS.

COMMENTS ON OTHER ADDITIONAL MATTERS

In connection with our audit of the financial statements of Valley Telephone Cooperative, Inc., nothing came to our attention that caused us to believe that Valley Telephone Cooperative, Inc. failed to comply with respect to:

- The reconciliation of continuing property records to the controlling general ledger plant accounts addressed at 7 CFR Part 1773.33(c)(1);
- The clearing of construction accounts and the accrual of depreciation on completed construction addressed at 7 CFR Part 1773.33(c)(2);
- The retirement of plant addressed at 7 CFR Parts 1773.33(c)(3) and (4);
- The approval of the sale, lease or transfer of capital assets and disposition of proceeds of the sale of plant, material, or scrap addressed at 7 CFR Part 1773.33(c)(5);
- The disclosure of material related party transactions, in accordance with Accounting Standards Codification 850, *Related Party Transactions*, for the year ended December 31, 2012, in the financial statements referenced in the first paragraph of this report addressed at 7 CFR Part 1773.33(f); and,
- The detailed schedule of investments.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The detailed schedule of investments in affiliated companies required by 7 CFR 1733.33 (i), and provided below is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.